

Message Text

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3059

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TAGS: ECRE, ECON, NZ

SUBJECT: THE NUMBER OF PERMITS ISSUED FOR BUILDING
CONSTRUCTION DECREASE

1. ACCORDING TO THE LATEST STATISTICS ISSUED BY THE DEPARTMENT OF STATISTICS, PERMITS AUTHORIZING THE CONSTRUCTION OF 2,323 NEW HOUSES AND APARTMENTS WITH A VALUE OF \$51.2 MILLION WERE ISSUED IN FEBRUARY 1977. THIS WAS A DECREASE OF 6.2 PERCENT IN NUMBER AND AN INCREASE OF 5.8 PERCENT IN VALUE OVER FEBRUARY 1976. OF THE 2,323 PERMITS ISSUED, 112 WERE AUTHORIZED BY GOVERNMENT COMPARED WITH 149 IN FEBRUARY 1976.

2. THE TOTAL OF CONSTRUCTION PERMITS FOR DWELLING UNITS GRANTED FOR THE 12 MONTHS ENDED FEBRUARY 1977 IS 30,743 (VS 31,790 FOR THE SAME PERIOD IN 1976 AND 33,530 FOR 1975). THE VALUE OF THE PERMITS WAS \$642.8 MILLION, VS \$576 MILLION AND \$546.6 MILLION FOR THE 12 MONTHS ENDING FEBRUARY 1976 AND 1975 RESPECTIVELY.

3. THERE WERE 2,400 DWELLING UNITS STARTED, 2,200 COMPLETED DURING FEBRUARY 1977 VS 2,200 STARTED, AND 2,800 COMPLETED IN FEBRUARY 1976.

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4. FOR NEW BUILDINGS, OTHER THAN HOUSES AND APARTMENTS, PERMITS VALUED AT \$38.5 MILLION WERE ISSUED IN FEBRUARY 1977 VS \$20.8 MILLION IN FEBRUARY 1976. (THE NUMBER OF FACTORY AND POWERHOUSE PERMITS FOR THE MONTHS OF FEBRUARY 1976 AND 1977 WERE 88 AND 120 RESPECTIVELY. FOR THE YEARS ENDED FEBRUARY 1976 AND 1977 THE TOTALS WERE 1,164 AND 1,410 RESPECTIVELY.)

5. PERMITS FOR DWELLINGS AND OTHER BUILDINGS (INCLUDING ALTERATIONS AND ADDITIONS) ISSUED FOR THE MONTH OF FEBRUARY 1977 COVERED CONSTRUCTION TO THE VALUE OF \$110.2 MILLION COMPARED WITH \$85.3 MILLION IN FEBRUARY 1976.

6. FOR THE YEAR ENDING FEBRUARY 1977 THE TWO CATEGORIES OF BUILDING WORK WHICH SHOWED A PRONOUNCED CHANGE FROM THE YEAR EARLIER PERIOD WERE FARM BUILDINGS, FOR WHICH 7,258 CONSTRUCTION PERMITS WERE ISSUED COMPARED WITH 6,567 FOR THE YEAR EARLIER PERIOD, AND EDUCATION BUILDINGS FOR WHICH 419 PERMITS WERE GRANTED AS AGAINST 596 FOR THE FEBRUARY 1976 YEAR.

COMMENT:

7. THE INCREASE IN THE FARM BUILDING CATEGORY NO DOUBT REFLECTS THE GREATER EARNINGS OF THE AGRICULTURE SECTOR IN 1976 OVER 1975 AS A RESULT OF THE INCREASE IN EXPORT PRICES FOR MOST PASTORAL PRODUCTS. THE FALL IN THE NUMBER OF PERMITS FOR EDUCATION BUILDINGS (WHICH IS ALSO MATCHED TO A LESSER DEGREE BY A FALL IN PERMITS FOR HOSPITAL AND NURSING HOME CONSTRUCTION) IS A RESULT OF THE GOVERNMENT'S EFFORT TO REDUCE PUBLIC SECTOR SPENDING.

8. THE BUILDING INDUSTRY WATCHES MOST CLOSELY THE NUMBER OF PERMITS ISSUED FOR HOUSE AND APARTMENT CONSTRUCTION. THIS CATEGORY IS LOOKED ON AS THE BEELLWETHER OF THE HEALTH
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OF THE CONSTRUCTION INDUSTRY. THE NATIONAL GOVERNMENT'S TARGET OF 28,000 TO 30,000 UNITS - A CONSIDERABLE DROP BELOW THE HIGH OF 1975 - WAS DECLARED IN MANY CIRCLES AS A CATASTROPHY. FURTHER, THERE WERE PREDICTIONS THAT NOT EVEN THE 28,000 NUMBER MIGHT BE MET. HOWEVER, WHEN IT LOOKED SEVERAL MONTHS AGO THAT THIS MIGHT BE THE CASE, THE GOVERNMENT DECREED NEW INCENTIVES FOR NEW HOUSING CONSTRUCTION (76 WELLINGTON 4638). THOUGH THERE HAVE BEEN PREDICTIONS THAT MORE ACTION WILL BE NEEDED TO "SAVE" THE INDUSTRY, THE MORE LIBERAL HOME FINANCING INCENTIVE HAS HELPED THE INDUSTRY. FURTHER GOVERNMENT ACTION IS THIS DIECTION MAY BE TAKEN.

9. A FURTHER FACTOR WHICH HAS INFLUENCED DEMAND FOR NEW HOUSING HAS BEEN THE GREATLY REDUCED IMMIGRATION DURING 1976. THE GOVERNMENT SEES THIS AT LEAST PARTLY AS A PLUS IN THAT THER WAS LESS DEMAND ON RELATIVELY SCARCE RESOURCES AND ESPECIALLY A REDUCED IMPORT DEMAND.

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